



**WESTERN  
MICHIGAN**  
UNIVERSITY

The Journal of Sociology & Social Welfare

---

Volume 10  
Issue 2 June

Article 14

---

May 1983

## Alternative Service Delivery Strategies: Factors in States' Decision Making

Harold W. Demone Jr.  
*Rutgers University*

Margaret Gibelman  
*Council on Social Work Education*

Follow this and additional works at: <https://scholarworks.wmich.edu/jssw>



Part of the American Politics Commons, Politics and Social Change Commons, and the Social Work Commons

---

### Recommended Citation

Demone, Harold W. Jr. and Gibelman, Margaret (1983) "Alternative Service Delivery Strategies: Factors in States' Decision Making," *The Journal of Sociology & Social Welfare*: Vol. 10: Iss. 2, Article 14.

DOI: <https://doi.org/10.15453/0191-5096.1606>

Available at: <https://scholarworks.wmich.edu/jssw/vol10/iss2/14>

This Article is brought to you by the Western Michigan University School of Social Work. For more information, please contact [wmu-scholarworks@wmich.edu](mailto:wmu-scholarworks@wmich.edu).



**WESTERN  
MICHIGAN**  
UNIVERSITY

## ALTERNATIVE SERVICE DELIVERY STRATEGIES: FACTORS IN STATES' DECISION MAKING

Harold W. Demone, Jr., Rutgers University and Margaret Gibelman, The Council on Social Work Education.

### ABSTRACT

This article focuses on the range of choices and factors affecting state level decision making about how human services are to be delivered. In light of the dual thrusts of decentralization and privatization, the viability of public-private partnerships through contracting for services is explored. Among the significant factors affecting decisions about alternative forms of service delivery are: political and fiscal preferences; the strength of organized labor; the role and availability of the private service sector and history with purchase of service. The advantages and disadvantages attributed to a contracting model for delivering services are unlikely to be argued from an empirical base. Rather, the relative influence of various actors, ideologies and practices will affect states' decisions about the scope and range of contracting and the degree to which there will be reliance on the private sector.

With the passage of the Omnibus Reconciliation Act of 1981 (P.L. 95-35), states and localities now have substantially increased authority and flexibility to design their human service programs. Among the choices facing states is the determination of how and to whom services will be delivered, methods of financing services in light of decreased federal dollars, and the extent to which public-private partnerships in service delivery can and should be fostered. Although the option to select among alternative service delivery arrangements is not new, such issues have, heretofore, most frequently been debated at the federal level. This paper explores some of the relevant issues and factors affecting state decision making about strategies for delivering services, with particular attention to the viability of a contracting model between public and private organizations.

For this discussion, public agencies are defined as governmental, tax supported agencies whose powers and duties are determined by statute and administrative regulation. Such agencies include state and local welfare departments, youth and family service agencies, departments of mental health and retardation, health departments, and other units of government often now administered through an "umbrella" state human services agency and staffed largely by civil service employees.

Private organizations are either for-profit or not-for-profit. Those of concern in this paper provide human services as a primary function under the direction of a board of directors and are financed through profits, endowments, fees, direct or United Way contributions, and, to varying degrees, third party payments, and government contracts and grants. Non-profit organizations include affiliates of the Family Service Association of America and sectarian agencies such as Catholic Charities. Private for-profit organizations follow the customary corporate or other proprietary provisions and are becoming increasingly invested in human services. Activity areas include the nursing home, general hospital, day care center, and homemaker service provider.

There are several exchange routes between the public and private sectors. In this paper we will focus on purchase of services which is one sub-heading of a larger spectrum of arrangements pertaining to the transmission of public funds to private bodies. More precisely, purchase of service (POS) refers to a set of organized procedures to bring public and private entities into partnership for the acquisition of goods or services in the public interest. Typically, a contract mechanism is used to actuate this arrangement between two organizations.

#### Changing Policy Directions

The issue of choice about the manner in which services are delivered and by whom (public or private) occurs within the context of evolving relationships between the federal and state and local governments. President Reagan's "New Federalism" has as its thrust the decentralization of decision making and the diminution of the federal government's role in determining the allocation and use of funds at the state and local level. The proposition is that by permitting states to choose their methods of delivering services, services can be planned and implemented in a way that meets specific state circumstances and needs.

The Reagan initiatives are, however, evolutionary rather than revolutionary. Revenue sharing, for example, was created during the Nixon Administration to give localities broader discretion in spending federal funds than had previously characterized federal social service programs. In a 10 year period beginning in 1972, \$64.8 billion has been channeled to help pay for goods and services (Pear, 1982). What is different under the Reagan plan is the planned withdrawal of federal agencies from such fields as welfare, the reduction or elimination of regulations governing the nature of human service programs, and decreased federal responsibility for funding such programs. These changes significantly affect the magnitude of decisions to be debated at the state and local level.

There is, however, only a limited menu from which states can select in deciding on a service delivery strategy. States may elect to directly deliver services under public auspices, purchase services from private sources, rely on private sector initiatives, or combine direct and private delivery. Ultimately, the selection of a service delivery plan will reflect the particular political context affecting a state's decision making process, and the perceived feasibility of one approach over the others in terms of the organizational and fiscal resources available. Although ideologies of the left and

right occasionally bear witness to some cause most public policy decisions are made on a more pragmatic basis. The search is less for the ultimate truth than for the decision which will help the elected official the most and cost the least.

Decisions regarding methods of service delivery are very much influenced by and interrelated with changing federal policy directions, including the priority placed upon the use of the private marketplace and the reduced level of government funding available for human services. This Administration would like to see philanthropic and voluntary organizations assume major responsibility for social welfare, an occurrence most consider unlikely. For example, the Independent Sector, a coalition of national voluntary organizations, corporations and foundations, cautions that the Administration has "unrealistic expectations for what private philanthropy can do" (Schmidt, 1982). To the extent possible, state governments are compensating, at least in part, for some of the reduced federal dollars, but states are experiencing their own, often severe, financial problems. A likely scenario is a continued public role (federal, state and local) in financing services, with contracts and grants serving as the major mechanism for the transfer of government funds to private organizations. Private organizations, in turn, will be expected to meet, in cash or kind, a proportion of the administrative and operating social welfare costs.

The current emphasis on finding alternatives to purely public systems of human services is consistent with the philosophy expounded by Drucker and Savas who believe that virtually all governmental program functions should be "re-privatized" through delegating or contracting them out to autonomous private or quasi-private institutions (Drucker, 1968; Savas, 1982). Partnerships between the public and private sectors have also been stressed. President Reagan has appointed a President's Task Force on Private Sector Initiatives to help meet the social and economic needs of communities. According to Chairman C. William Verity, Jr., local public-private partnerships will be encouraged to identify important community needs, followed by a marshalling of human and financial resources from the public and private sectors to meet those needs (Schmidt, 1982). Fiscally, as well as philosophically, the use of purchase of service arrangements fits with recent alterations in government roles and priorities and provides an important option for states in patterning their service delivery systems.

#### Service Delivery Options

The extent to which state and local governments or private bodies should be responsible for human services delivery has varied within the larger philosophical and political shifts affecting American domestic policy. Traditionally, the private sector has been the provider of choice, if not always in practice, in large part due to the residual nature of government services and the laissez-faire philosophy which has dominated government's approach to human services policies and practice. Long-standing perceptions that the public agency is a "weak" service provider have encouraged the formation of a "partnership" with the "more competent" private sector. The use of purchase of service arrangements has also been affected by general social forces which vary over time, including decentralization, subsidiarity, the growth of government and associated costs, public employee unions, lethargy and tradition, conflict of interest, and increased concern about productivity and accountability.

Wedel suggests the evolving practice of purchase of service has not relied upon an organized body of theory, but has instead followed normative guidelines (Wedel, 1974). As such, the availability of alternatives from which units of government can select how services are to be delivered rests on a series of interrelated propositions about the inadequacies of public services and perceived improvements needed in human services policies and programs. The strength of these propositions will vary depending upon state experiences, inter-organizational dynamics, and political preference. The degree of influence and power wielded by the private sector will also affect state decision making about service delivery mechanisms.

A number of factors have, in combination, encouraged states to opt for purchase of service with for-profit and voluntary providers. Not all of these factors are based on rational, considered processes, but financial considerations are likely to be a powerful influence favoring POS (Tatara and Pettiford, 1984). Under the 1967 Amendment to the Social Security Act, public welfare agencies were authorized to receive 75 percent federal reimbursement for service purchased from private agencies, with the private sector often supplying the matching 25 percent. As a result, the scope of social service contracting at the State level grew enormously, with estimates that over 50 percent of all public services are now purchased (Pacific Consultants, 1979). With the elimination of many of the federal regulations governing purchase of service contracting, states may now require that private agencies provide even a higher percent of the match. This "contribution" on the part of private agencies can be a powerful inducement to states to encourage the use of purchase source of purchase of service arrangements. Likewise, relying on the private sector as a primary source of service meets public demands to limit the size of government bureaucracies and their expenditures. With the introduction of new treatment concepts, the private sector has also been seen as more capable of responding to problems of deinstitutionalization, normalization, and mainstreaming. And of course, as always, interest group politics continues to operate.

The delegation of responsibilities and functions to the private sector does, however, pose anew a series of political questions regarding the relationship between government and non-public systems. These issues are now being debated in state capitols and the resolutions achieved will determine the extent to which purchase of service maintains or increases its status as a primary method of service delivery. Such questions include:

- In what proportion should public and private agencies have responsibility for providing services?
- What systems of accountability can be instituted to insure the proper use of public funds and the targeting of services to specific client populations?
- What method of service delivery is most cost effective?
- What sector can more effectively and efficiently deliver services?
- What role do public employee unions play in influencing a continued public sector role?
- Do the advantages of contracting outweigh the liabilities of these arrangements?

## Factors Influencing State Decision Making

Despite its long standing history, purchase of service continues to stimulate debate. Theoretical, empirical and pragmatic themes and questions about the efficacy and efficiency of POS continued to be posed, frequently couched in contrasting beliefs about the general role of government and its specific responsibilities. To a lesser degree, concern also arises about the impact of contracting on the voluntary, not-for-profit sector; here, too, varying points of view are reflected. Fear of, and occasionally antagonism to the private, for-profit sector are also at issue. Contrariwise there is another view which views the total organized not-for-profit sector, public and private as equally incompetent. To varying degrees, these historical issues regarding the use of POS are stimulating discussion in state legislatures and administrative agencies as decisions are made about the best means to deliver services.

For the most part, both advocates and opponents of purchase of service tend to be speculative, seldom arguing from an empirical base. Theory is tenuous. An advantage to one observer may be a disadvantage to another. The debate about contracting centers on such themes as efficiency and effectiveness of alternative service delivery approaches, accountability, client impact, cost, appropriate auspices, standards and professionalism. Diagram I outlines some of the frequently identified arguments for and against contracting. It should be noted that, although the advantage seem to numerically outweigh the disadvantages, the cogency of each argument will vary. The numbers are not relevant.

Some of the advantages and disadvantages are empirical, others are ideological. Even some of the more pragmatic criteria can be debated on value based terms. For example, most studies come roughly to the same conclusion: it is generally more efficient and productive for government to purchase goods and services than to provide them on its own. Thus, from the perspective of state legislators and public administrators, the logical decision in a majority of cases would be to purchase. Realities, however, often dictate otherwise.

In some jurisdictions, status, size of office, and even the quality of furnishings for senior officials are tied directly to the number of employees supervised. Fewer employees could mean a smaller office, poorer furniture and vinyl tile rather than carpeting. For elected officials, a reduction in patronage is anticipated. Public employee unions fear loss of positions and members. Such unions may be major financial contributors to state legislative campaigns as well as some legislators' most loyal volunteers. Similarly, they or their family members may be politically active in local government. Or, vendors may be in short supply or may not desire a government contract.

Space does not permit an in-depth discussion of all of the arguments which may enter the equation as to whether states and localities will purchase services (Capoccia, 1978). Instead, this discussion is limited to some of the more significant factors currently, or likely, to affect state and local decisions about the manner in which human services will be delivered.

Cash/Vouchers. Conspicuously absent from most of the continuing arguments posed about alternative service delivery mechanisms is the use of vouchers as a responsible option to provide consumers the financial resources to buy needed

Diagram I

ARGUMENTS FOR AND AGAINST THE USE OF PURCHASE OF SERVICE (Demone and Gibeiman, forthcoming)

Advantages

Cost Effectiveness  
Accurate cost determinations  
Administrative efficiency  
Better service coordination  
More responsive to immediate needs  
Avoids cumbersome and dysfunctional Civil Service regulations  
Ease of altering or terminating programs  
Enhanced quality of services  
More effective use of talent and human resources  
Improved utilization of voluntary expertise and volunteers  
Desirable mix of public and private services  
Avoids political patronage  
Increased professionalism  
Flexible use of personnel  
Improved program and administrative control  
Program flexibility  
Promotion of innovation in policy and administration  
Helps retain volunteerism  
Allows for competition in level of wages  
More legal rights for clients  
Frees public resources to service other important needs

Disadvantages

Difficult to insure standards and adequate coverage  
Loss of public control and accountability  
Abrogates legislative intent  
Undermines role of public agency  
Loss of protection for the poor and most needy ("creaming")  
Loss of autonomy for private agencies  
Private agencies subject to shifts in public policy  
Reduces experimental voluntary spirit  
Directs private agencies to provide only publicly funded services

services on the open market. (In recent decades each Federal administration has explored the voucher philosophy. Since these initiatives are seldom implemented voucher alternatives are seldom integrated into mainstream debates about purchase of services). Vouchers can take the form of a coupon, chip, or credit to be reimbursed for consumer expenditures. Tuition tax credits and deductions can also be applied. These devices are all instrumentalities to make government assistance individual centered rather than institutionally based, thus effectively by passing the major human service agencies as required "brokers." An appeal of this individually oriented form of purchase of service is that it vastly reduces administrative and operating expenditures, while optimizing "freedom of choice" for clients.

Experience with the use of vouchers is limited and observations are not always grounded in empirical investigations. An attributed advantage of vouchers is that they allow the application of private market remedies to serve public policy objectives. They may have a beneficial impact on cost, efficiency and economy, widen choice and diversity, and enhance accountability to the consumer. On the other hand, drawbacks to voucher schemes include the limitation on consumers' ability to make informed judgements, the reliance on marketplace mechanisms in an environment of incomplete information, and the abdication of reliance on professionalism and expert knowledge.

To date, most of the experience with vouchers has been in the field of education, although third party reimbursement in the health industry has many voucher characteristics. Their enlarged use could stimulate the certification of providers to maintain quality control, in which public and private agencies could compete. Voucher systems could probably not be easily applied to service areas in which a regulatory/supervisory public justice function is involved, such as child protective services, corrections and police protection. In these areas, the services delivered claim public uniqueness and could not be easily left to consumer choice.

Decentralization. The Federalist spirit has abounded throughout our nation's history, taking many forms. More recently, President Johnson sometimes bypassed state governments, going directly to local governments with funding and service delivery responsibility. In addition, in 1966 block health grants to states were enacted. Under the "Great Society", federal funds were allocated to neighborhood groups which in turn organized themselves to influence governmental decision making. Smith claims that this strategy was partly a response to the societal conditions of the time, including a pervasive feeling of estrangement from the powerful institutions of society and deep historic tensions concerning race relations. In his view, "the participatory contracts are especially interesting because they illustrate in extreme form the tendencies implicit in the 'diffusion of sovereignty', the dispersion of power, the blurring of the lines of authority, the breakdown of the public-private distinctions" (Smith, 1971).

President Nixon explored decentralization by strengthening federal regional offices and giving state and local governments more authority. Revenue sharing was enacted. To President Reagan, the federal government was created by the states. Decision making, he believes, should occur at the local level where officials best know local needs (Pear, 1982). He also talks about reinvigorating the private sector. Volunteerism has returned in spirit, if not in fact.



Whatever the form for implementing a decentralized structure, the net result of the combined rhetoric and actions by many presidents and echoed by many governors is to reinforce pluralism and alternative structural models. Revenue sharing and block grant programs have generally been received with enthusiasm; governors and mayors welcome the reduced red tape and orders from Washington. Discontent at the state and local level with this structural mode is aimed at the diminished federal dollars, not the concept. Purchase of service is ideologically consistent with these preferences for decentralized local decision making and has the added advantage of utilizing the expertise of the local private sector.

Government Performance. Opinion polls, the source of much wisdom and political action, document the increasing disenchantment of Americans with their government. The Harris Poll "Index of Alienation" asked a sample population to respond to the statement: "The people running the country don't really care what happens to you." In 1966, 29 percent agreed with this statement, but by 1980 those in agreement reached 58 percent. The comparable item from the Center for Political Studies, University of Michigan, found trend figures of 19 percent in 1964 and 60 percent in 1980 (Time, Feb. 23, 1981). Another Harris poll (1973) found that the majority of respondents viewed public employees as the "least productive in the country" (Serrin, W., 1981). These negative opinions about the performance of governmental agencies has stimulated elected and administrative officials to search for alternatives. The options may be limited to finding ways to improve government performance or to circumvent the use of public agencies by enlarging the role of the private sector. Here, again, purchase of service enters the equation as a viable means of reducing government's role.

Government Size. Another matter of continuing presence at the federal, state and local level is the constant lament about the size and growth of government. Typically, it is more complicated than promulgated. In respect to absolute numbers of civilian employees, the federal government has remained remarkably stable for about twenty years. The growth has been in state and local government; consequently, attention to decreasing the size of public bureaucracies is now increasingly directed to state capitols. In regard to expenditures, government at all levels has grown, generally in excess of inflation and increases in the Gross National Product.

Whatever the facts or complications, the size of government is a serious target for many significant segments of our society. The sixty year boom in public employment may have finally stabilized (The Economist, November 22, 1975). Options are more legitimated. To the extent that public opinion continues to favor a decrease in the size of public bureaucracies, pressure will be exerted on elected and appointed officials to explore alternative ways of producing goods and services.

Organized Labor. The position of public employee unions is unequivocal. They oppose contracting public services and are mounting increasingly strident objections to such practices. Picketing of private contractors is not uncommon.

Despite the size and importance of public employee unions, it seems unlikely that the AFL-CIO, for one, will take an aggressive continuing organizational stance against public purchase of services. Many of their members belong to unions affiliated with private sector organizations receiving these same contracts.

Also, in many cases the public employees losing their positions are hired by private organizations, often joining another union. In addition, most human service employees, in private or public organizations, are not members of organized labor. Thus the positions assumed by both advocates and opponents of contracting are sometimes contrary to their own self-interest. Last, but perhaps most important, many of the major critics of public services are themselves members of organized labor.

The opposition of public employee unions, tempered as it is by the needs of members to secure jobs in contracted programs, may not always be a critical variable in states' decision making about methods of service delivery. The cogency of their arguments will, of course, vary with the strength of unionism in a particular locale and the extent to which purchasing services is perceived as hurting or helping union members. The realistic concern with maintaining or securing employment for union members in a time of 10 plus percent national unemployment is likely to affect the position assumed by unions,

Conflict of Interest. Conflict of interest is an increasing concern. Such conflict may mean a loss in quality to the consumer, as well as increased costs. Conflict of interest may occur when the organizations responsible for providing services also monitor, evaluate and account for such services as is often the case for many large state agencies. The organizations responsible for the allocation of funds also may be in a conflict of interest position when the alternative is to continue funding their own operations or disperse funds to non-public service providers. Self-monitoring attributes are inherently limited by self-interest, and decisions may not be achieved on objective criteria. Americans distrust private monopolies, and public monopolies are no less sacred as they suffer the same structural faults. But even more than trust; monitoring of public organizations is ridden by conflict of interest.

The editor of the distinguished British journal, The Economist, suggests "... it has become increasingly clear the ownership of means of production is no longer a source of political and economic power and may indeed now be a source of political or economic powerlessness" (The Economist, Nov. 22, 1975). The editor concludes that governments' may have limited day-to-day control over themselves. Direct control over employees can only be secured by passing down instructions and this doesn't work when people resent being regarded as subordinates. The Economist notes, in contrast, that it is relatively easy to take action against subcontractors, taxpayers, or other outsiders by cutting off orders or raising charges (The Economist, 1975). Public organizations responsible for planning, budgeting, staffing, programming and evaluation, when viable competition is lacking, are highly vulnerable to conflict of interest charges, as in all vertical organizations. A logical means of addressing this issue is to create a service delivery structure more amenable to control and accountability.

Procurement and Assistance Programs. A continuing force at the federal level has been presidentially-promulgated policy since 1955, through the Office of Management and Budget, that the government rely on private sector contractors to provide goods and services needed to act on the public's behalf (Comptroller General, 1981). Basically, the position as later postulated in Circular A-76 has several components:

- Agencies may use military personnel, civilian employees, and contract services to perform Federal activities;

- Activities whereby 10 percent or more in personal savings can be identified should be contracted; and
- Exceptions are selected with discretion. Examples are core functions of government such as national defense, program priority selection and controlling monetary transactions.

It is noteworthy that Congress has not overruled the policy although it could do it by legislative or political action. In 1980 the Office of Management and Budget estimated that about 14 percent of all Federal employees were still providing services that could be contracted out under the terms of this policy. This pro-contracting stance serves as a model for states, and at least to some degree is followed. The message from Washington seems to be that purchasing services is a more desirable alternative, and when this option is present, it should be pursued.

Shepsley uses as a criterion for public operation those matters in which there is an "insufficient supply of public goods and externalities." in such instances, there would be a "... prima facie case for the consideration of public provision or regulation " (Shepsley, K.W., 1980). As examples, he uses national highways, interstate highways and lighthouses. By inference, the use of private sources to provide goods and services is justified in all instances when such external alternatives are available.

Cost Data. Several findings seem to occur consistently in research on governmental functioning; among them, cost data are inadequate and understated and it is usually found to be less expensive to contract out than to operate services directly. A typical example of inadequate information is shown in a 1978 study by Savas and Associates of 315 municipal refuse collection systems. Savas found that accounting costs varied, many costs were never included in the refuse budget and, in conclusion, the actual costs could not be calculated (Savas, E.S., Stevens, B.J., Berenyi, E.B., 1978).

In respect to costs, the Department of Defense, which conducted over 300 comparison studies using the 10 percent personnel savings factor noted above, found in about 60 percent of the studies activities that it was more economical to convert in-house activities to contracts (Comptroller General, 1981).

Reprivatization. Given the many influences, theory building and language innovation is often stimulated, Peter Drucker a noted economist filled the gap in 1968 with his development of the theory of "reprivatization" now more often called privatization. He described the esteem attributed to government in the developed countries from the 1890s to 1960s. But international disenchantment set in, Drucker believes. Government is big, not strong; it is flabby and fat; costs a great deal but achieves little. He suggests that governments have lost control of their bureaucracies. "It can do only two things well. It can wage war, It can inflate the economy " (Drucker, 1968, p. 217).

Drucker traces the etiology of this change in perception of government. Too much was expected and disillusionment set in. It was believed that governmental redistribution of wealth would solve economic problems that are noted in inadequate productivity. Another illusion was that by giving a task to government "... conflict of decisions would be made to go away" (Drucker, p. 215). Government would be rational and unselfish and economic self interest would disappear.

To Drucker, government should be making the basic decisions. To govern effectively, political energies need to be focused and issues identified and dramatized. Fundamental choices must be clarified. But governing and doing may be incompatible. Drucker urges decentralized functions, separating doing from governing. Doing should be accomplished by non-governmental institutions who would perform the operations. Government would serve as society's resource for determining major objectives, and be a "conductor" of social diversity. This need not mean "return to private ownership" (Drucker, p. 234).

In Drucker's conception, government would be the logical body to make choices about what services are to be delivered, who can best provide them, and to whom they should be targeted. But government would not be the service delivery source. Such functions would be left to private, autonomous institutions either of a for-profit or on occasion, the not-for-profit nature. Drucker sees a society which allows institutions to do what they are best equipped to do, including governing by government.

#### Future Directions

It is highly unlikely that state and local decisions about which needs are most important, how services can best be delivered, and under whose auspices, will be made as the result of a straight-forward need analysis and empirical analysis of the advantages and disadvantages of purchase of service as contrasted with direct public delivery. Forecasting in this political environment is replete with complexities. Many of the factors influencing decision making about service delivery options have already been listed and some of the forces at work described.

The major pressures to purchase include stimuli which will not easily subside. It is usually less expensive and allows for more effective quality control. Purchase is compatible with the desire to decentralize, which feeds on large scale and increasing public discontent with governmental functioning and performance and hostility to the bureaucracy. It reduces the public monopolistic vertical organizational structure and is reinforced by the periodic thrusts to "reprivatize" public functions. Changes in the 1981 Federal tax laws are also favorable to selected new relations between governments and the private sector. And each successful implementation facilitates additional exchanges.

Those forces opposing the use of the private market, through purchase of service, are also very powerful. Within the human services, recent dramatic reductions in available federal and state dollars mean curtailment of some services. It may be easier to reduce contracted programs than to decrease governmental operations. Public service employee unions fear loss of members and, depending on their strength, may engage in vigorous counter attack. Their opposition is reinforced by the way Federal and some state and local governments managed their reductions in force in 1981 and 1982. It was often inept, extraordinarily complex, created organizational chaos and so disrupted morale that few senior bureaucrats want an early replay.

Also in opposition to purchase of service are concerned people in significant positions in and out of government who hold strongly held ideological positions about the proper role of government. The gradual transfer of selected governmental

operating programs to the private sector is not compatible with their long-standing beliefs. These matters reflect honest matters of judgement, not self interest.

Perhaps most important in determining how states' human services will be structured and delivered are factors of inertia, caution and self-interest. These factors have long restrained major change in government and there is no reason to believe that they are less powerful today. Our governments are not designed to accomodate to rapid social change or to deal effectively with entrenched opposition. Despite the increased decision making powers of the states within the human services realm, tradition and long standing practices may play a particularly powerful role in determining the degree to which patterns of service will be altered.

The net balance suggests selective growth in purchase of human service, but at a slower rate than in the 1970s due to both increased resistance and a decreased public investment in the human services. In the face of conflicting demands, choice will be difficult. Nevertheless, the decision to purchase services from private vendors is consistent with the thrust to redefine governmental functions and operations and form partnerships with the non-public sector. No one doubts the government will continue to play the important planning, development, financing and accountability roles, but increasingly as an overseer rather than a doer likely through the remainder of this century and into the next one.

#### REFERENCES

Pear, R.

1982 "In Revenue Sharing, Cities Prefer Old Federalism." The New York Times. December 19, 1982 :2E

Schmidt, S.

1982 "Debate Rages: Can Needs Be Met By Charity?" The Washington Post June 21, 1982 :22.

Drucker, P.E.

1968 The Age of Discontinuity. New York and Evanston: Harper and Row.

Savas, E.S.

1982 Privatizing The Public Sector. Chatham, N.J.: Chatham House Publishers, Inc.

Schmidt, S.

op. cit.

Wedel, K.R.

1974 "Contracting for Public Assistance Social Services." Public Welfare. 32 (1).

Cappoccia, V.A.

1978 Public Planning for Social Services: An Analysis of the Design of Social Service Delivery Systems Under the Title XX Amendments to the Social Security Act of 1974. Waltham, Mass.: Brandeis University, Unpublished Ph.D. dissertation.

Demone, H. and Gibelman, M.

op. cit. For a more detailed discussion of these issues.

Smith

op. cit., 12-13.

Pear

op. cit., 2E

Time

1981 "American Renewal." February 23, 1981.

Thomas, J.

1974 "So, Mr. Mayor, You Want to Improve Productivity." Washington, D.C.: National Commission on Productivity.

Serrin, W.

1981 "After 34 Years, Jobs Declining in Government." The New York Times, December 27, 1981,

The Economist

1975 "Propertyless Autocracy." November 22, 1975, 13-14.

Ibid.

Comptroller General

1981 Agencies Need Better Guidance for Choosing Among Contracts, Grants, and Cooperative Agreements. Washington, D.C.: U.S. General Accounting Office, GGD-81-88, September 4, 1981; and Comptroller General 1981 Civil Servants and Contract Employees: Who Should Do What for the Federal Government? Washington, D.C.: GAO, FDGD-81-43, June 19, 1981.

In addition to Circular A-76, A-95, A-102, A-110, A-120 and the Federal Grant and Cooperation Act of 1977 also clarify and distinguish public and private relations.

Shepsley, K.W.

1980 "The Private Use of Public Interest." Society, 17 May/June 1980, 35-41.

Savas, E.S., Stevens, B.J. and Berenyi, E.B.

1978 "Solid Waste Collection." IN J.V. May and A.B. Meldarsky, eds. The Policy Cycle. Beverly Hills: Sage Publications.

Comptroller General

op. cit.

Drucker

op. cit., 217.

Ibid.

215.

Ibid.

234-35.